

R E P O R T

OF THE

Committee on the Judiciary (General)

OF THE

SENATE OF PENNSYLVANIA,

RELATIVE TO

ALLEGED EXTORTIONATE CHARGES

BY THE

RAILROAD COMPANIES OF THE STATE.



HARRISBURG:

SINGERLY & MYERS, STATE PRINTERS.

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REPORT.

To the Honorable the Senate of the Commonwealth of Pennsylvania:

The committee appointed by your honorable body beg leave to submit the following report, having discharged the duties imposed upon them under resolutions of the 29th day of January and the 18th day of February last, as follows, namely :

“Resolved, That the General Judiciary Committee be instructed to inquire into the power of this Legislature to control railroad corporations of this State by direct legislation on the subject of charges for passengers and freight, to secure the private citizens of the State from inordinate and extortionate demands, to assert the sovereignty of the people of the State over all such corporations within its limits for the general good, and that said committee have power to send for persons and papers, and to compel testimony under oath ; that said committee is instructed to report to the Senate at the earliest possible period, by bill or otherwise.”—(Resolution of January 29)

“Resolved, That the Judiciary Committee of the Senate have full power and authority to sit during vacation, in Harrisburg or elsewhere, to investigate the subject matters contained in the foregoing resolution, with power to send for persons and papers, examine witnesses on oath, employ a clerk or clerks, and take such other action for full investigation thereof, as they deem proper, and report to the next Legislature, by bill or otherwise, accompanied by the testimony taken.”—(Resolution of February 18.)

In order that the subject of inquiry contemplated by the above resolutions might be brought fully and fairly before the Senate, the committee deemed it their duty to examine witnesses who are doing business over the different railroads in the State, and thus ascertained from actual experience the practical result of the various systems of freight charges in the State. For this purpose, and in order the better to accommodate business men, the committee held, during the past summer, seven sessions in various parts of the State, after giving public notice for all persons to appear who might feel an interest in the subject matter for investigation. Subpœnas were issued to compel the attendance of witnesses whose evidence was deemed material, where they declined to attend voluntarily. The examinations were all conducted publicly, and all persons desiring to do so, were permitted to suggest such questions as they deemed material to sustain their particular views or complaints. The officers of our principal railroads, as well as the most experienced shippers of freight, have given their testimony. It is believed, therefore, that the advocates of the present system of railroad charges for

freight, as also those who consider them erroneous and oppressive, have had an ample opportunity to be heard. The testimony is herewith submitted, without any abridgment, notwithstanding there appeared to be considerable repetition and irrelevant matter. The evidence is reported as it dropped from the lips of the witnesses. The labor required to collect it together has been very considerable, and in a degree commensurate with the subject to be investigated. Yet the most difficult and delicate part of the duty devolving upon the committee remains to be performed—that is, to devise a remedy for the evils existing in relation to freights on railroads, as apparent in the evidence submitted. Complaints are made by shippers on nearly every road in the State in regard to charges; as a general thing, the longer the road the greater the number of complaints. Nor is this by any means a surprising fact, when we consider the magnitude of the railroad interests and traffic on them in Pennsylvania alone. By the last report of the Auditor General the number of miles of railroad of main line in the State, is 4,353, with eighty-four branch roads, the length of which is not given. The cost of these roads and equipments is \$267,684,408, with a funded and floating debt of \$109,921,302. The value of real estate held by the companies is \$5,704,696. The number of passengers carried on these roads for the last year amounts to nearly eighteen millions, of whom only thirteen were reported killed—a number of these through their own carelessness, and in consequence of disregarding the rules of the companies. The gross amount of tonnage for the same period exceeds 490,000,000 tons. These figures do not include the number of miles nor the cost of construction of our street railways, nor the extent of their business. The total length of canals in the State is 805 miles. All this immense amount of property is managed and controlled by 131 separate and independent companies, each one making it the chief object to earn large dividends for their stockholders.—Hence, it is not at all strange that complaints arise in regard to the various systems of charges for freight. It is rather surprising that there are not more complaints, considering the great number of persons of different views and interests who manage and are affected by these institutions. And your committee here state their belief, that the railroads in Pennsylvania are as well managed as those of any other State in the Union; yet it is believed that defects have grown up in the system of freight charges, or rather from the lack of system in the charges adopted by many of them, which need correction, and which defects will appear manifest when the relations and obligations which these corporations bear to the public are properly considered. In some parts of the State, the roads and canals appear to be managed in the same manner as though they with their franchises were private property, owned as absolutely and entirely as the merchant owns his stock of goods, and to be managed according to their views, and without any re-

gard to the rights of the public. As the wholesale merchant sells at a lower rate to the customer who purchases a large bill, than to the one who makes a small bill, so these railroads and canals wholesale their services to the shippers of large amounts of freight, and retail them to the shippers of small amounts. This system of discrimination, as it is termed, prevails on many of our railroads and canals, though not on all of them.

In response to the question, whether the road discriminates between small and large shippers in the rate of charges, an officer of one of our leading roads testifies, "No, sir; we have fixed rates per hundred pounds, in our different classes, to and from all the different points on our line, and whatever those rates are per hundred pounds, or ton, is the rate charged to every shipper." In reply to the same question, an officer of another important railroad answers: "There has never been but one instance of that kind on the Reading railroad, and when the question of its legality was presented it was abolished; that was not a coal business; among the coal dealers we have never discriminated a penny in favor of a large shipper." On the other hand, in reference to shipments on one of our canals, a witness says: "Drawbacks are allowed on tolls for certain amounts." The secretary and treasurer of the same corporation, says: "To parties shipping a large amount of coal, say 10,000 tons, to Danville or Bloomsburg, we give a drawback of from 20 to 25 per cent.; that is open to every one. I don't think it would be better to do away with this discrimination." On the same subject, another witness says: "I have shipped coal on the canal from Pittston to Athens; if I ship 300 tons I receive a drawback of 40 per cent. on toll; parties shipping less pay full tolls." Referring to the trade on another railroad, the secretary and treasurer of the board of directors, says: "We have special rates for large shippers; if the trade legitimately belongs to us, we charge full rates, that is, if there is no competition for it; if there is competition for it, we give drawbacks."

There is other evidence tending to show that the same policy prevails, practically, on many other railroads in the State. A witness, in giving his experience, says: "On small quantities the toll-sheet governs; on large quantities, we find it impossible to compete with others at toll-sheet rates, for long distances. There is no regular system of rates; they are entirely arbitrary. Every man makes special or private bargains with freight agents. Large operations are fixed by special rates; special bargains are made for local, as well as through rates. Rates should be fixed; this would increase business and profits."

As the charges on freights constitute a large portion of the cost of articles, it is essential that they be the same to all between the same points, in order to encourage a fair and equal competition among our people. A drawback often constitutes the whole profit of business. This system of

discrimination destroys competition, builds up monopoly, and, when business is depressed, as it is at this time, effectually drives from market the man of moderate means ; it is anti-republican in tendency, and ought not to be tolerated at the hands of common carriers, who are created for the benefit of the public, as well as for the advantage of the stockholder. It is, therefore, desirable that all such discriminations should be prohibited.

In this connection, it is proper to notice the system of drawbacks prevailing on the Philadelphia and Reading railroad, and the reason given for their existence. In the article of anthracite coal, it has the largest tonnage of any road in this country, amounting last year to 3,714,684 tons, about one-third of which is consumed in Philadelphia, and along the line of the road, the rest being shipped to different ports along the seaboard, from Port Richmond, where the company furnish, without charge to operators, shipping facilities, such as shutes, bins and wharves. Their trunk line is 93 miles in length, extending from Philadelphia to Pottsville, and is fed by a large number of laterals, averaging from 10 to 15 miles in length, and uniting with the collieries in different parts of Schuylkill county. The laterals the company control by lease, and where coal is sold within their termini, they charge three cents per ton per mile and car service, the latter ranging from 20 to 50 cents per car of five tons ; when consigned to any point at or beyond the termini of the main line, they charge $1\frac{1}{2}$ cents per ton per mile for the coal carried over the laterals and main line, without any charge for the use of cars. All coal consigned eastwardly, to New York, and other seaboard and foreign ports, receives a drawback for the use of the operator, varying in amount, according to the state of the market ; last year, to New York, it amounted to 50 cents per ton. This arrangement is a fruitful source of complaint to people of Schuylkill county. It is contended that it is an unjust discrimination against consumers of coal delivered within the termini of the laterals, forcing them to pay a larger sum than is paid by those beyond the limits of the county for the same service—that it is oppressive, and tends to retard the growth of manufactures in their neighborhood. They say, if the company can carry for one party at one price, it is strange that they cannot carry for another party at the same price, between the same points. The complaint, without an explanation, would appear to be well founded. On the part of the company, it is said that before they got control of these laterals, the toll was still higher than is now charged, they having been managed by separate corporations—that they are very expensive roads to operate, as many of them have heavy grades and small amounts of tonnage ; that the rental and expense of working them costs fully as much per mile as they charge for carrying coal over them ; that it is true they make a profit on the coal that is shipped over both lateral and main line, but that that profit is

made on the main line, and is credited to the lateral and main line—that which passes over the lateral only, bringing no profit, is entitled to no credit in the account. The drawback on coal shipped beyond Port Richmond is against the policy recommended by the committee. There is, however, the same excuse given for tolerating it in this instance, as where a reduced rate is made in favor of the through shipper from outside the State, over the local shipper, which will be referred to in another part of this report.

As before stated, about two-thirds of the coal tonnage carried over the Philadelphia and Reading railroad is sold at points beyond Port Richmond, and comes in competition with coal carried on the Schuylkill canal, and with coal going to the same markets from Luzerne and Carbon counties, and from the British Provinces. It is alleged by this company that, to sustain the operators in Schuylkill county in this competition, the drawback is given them, and that without this, no coal could be shipped beyond Philadelphia, thereby closing their largest market and lessening their tonnage, and consequently their income, to such an extent as would compel them to double their present local freights. With this explanation of the case, made somewhat at length in order to give the argument on both sides, it is left with the Senate to devise a remedy for the evil, if the same can be accomplished.

There is another class of discriminations mentioned in the testimony, prevailing to some extent on railroads, which is objected to by the general shipper. To encourage capitalists to embark in the manufacture of a particular branch, certain advantages are given to them, in the transportation of their products, over other shippers. The object which the railroad company may have in view in giving these preferences is doubtless commendable, but the practice is wrong. If we bear in mind the principle now well settled, that railroads are common carriers, and consequently have no right to show partiality among their customers, no other conclusion can be reached. In a case recently decided, the Supreme Court says:

“A railroad is a public highway, for the public benefit, and the right of a corporation to exact a uniform, reasonable, stipulated toll from those who pass over it, does not make its main use a private one. The public has an interest in such road when it belongs to a corporation, as clearly as they would have if it were free, or as if the tolls were payable to the State, because travel and transportation are cheapened by it to a degree far exceeding all the tolls and charges of every kind, and this advantage the public has over and above those of rapidity, comfort, convenience, increase of trade, opening of markets, and other means of rewarding labor and promoting wealth.”—*Sharpless against the Mayor of Philadelphia*, 9 Harris, p. 169. Also *Sanford vs. Railroad company*, 12 Harris R. 378.

When the Legislature grants to a company a charter to build a railroad,

the grant includes the privilege of taking possession of and occupying the land of private individuals, without their consent. This is doubtless the highest stretch of power that any government can exercise, and is never resorted to except where great public necessities require it. The power thus granted clothes the managers or directors with a portion of the sovereignty of the State, in which every citizen of the Commonwealth possesses an equal interest, and is entitled to equal benefit in its exercise. They, by virtue of their office, become the depositaries of this trust, and it is their duty to see it so managed as to yield the same service to every individual who pays the same amount of money. It is apprehended this view of their duty is well settled in law, and the more strictly it is adhered to, the better it will be for the stockholders, as well as shippers. When they decide to give an advantage in freights to any individual or corporation, even though it be with an intent to promote a desirable branch of business needing encouragement, yet, in so doing, they are acting outside of their sphere, and exercising powers that are properly vested alone in the legislative body.—If any preferences be necessary in order to foster a particular branch of manufacture or industry, let them be made by the Legislature, in the shape of a gift or otherwise ; so that, inasmuch as the whole people reap the benefit, the whole State may be subject to the tax. Railroad companies should confine themselves exclusively to the business of common carriers, showing no preferences to individuals, or corporations, or classes.

On some of the railroads in the State, especially on the line of the Cumberland Valley railroad, it is complained that the employees of the company are allowed advantages and facilities in transportation which the public are not permitted to enjoy. A merchant residing at Shippensburg testifies in relation to this road :—"The agents buy grain and ship on it, and use the company's storehouse at our place ; they keep coal, and undersell us if they can ; they get cars when others cannot." Another witness on the same point, says :—"The agent at Shippensburg advertises his own business on the same card with that of the company ; the company pay their agents \$55 00 per month—men who might command three times that amount—and the deficiency is made up in advantages in business. The agents have command of all the cars, have the company's siding free, and kept in repair ; we make our own sidings, and keep them in repair ; have seen the company's agents buying grain, and using their store-houses," &c. Other witnesses testify to the same state of facts, showing the existence of a system of discrimination which very naturally causes dissatisfaction among business men along the road. It will readily be perceived that such a course of management gives an unfair advantage to such as may get into the service of the company, over other business men in the community, thus turning the road into a monopoly and destroying all competition, which is the life of a prosperous

trade. In addition to the pecuniary advantages which the agent may gain over the ordinary shipper, in having the use of the company's store-houses and sidings, he has also control of the cars and motive power, and will very naturally use them to advance his own private interest in crowding forward his freight, while that of others is left lagging along the road. When the injured party applies for redress, his complaint is probably made to the agent who has done him the wrong, and consequently his chance for obtaining satisfaction is very small.

Since transportation on railroads has become so general, time has become an important element, in the estimation of the public. In former times, the dealer in grain and merchandize would be satisfied to renew his supply once or twice a year; now it is considered necessary to add to his assortment at least once a month, and in some cases more frequently. Hence the merchant is jealous and watchful, to see that no preference be given to his competitor on the road in any respect, especially in the matter of dispatch in forwarding his goods. He is entitled to this equality at the hands of the company, on payment of the stipulated rates of toll, and he is wronged whenever a preference is given to his rival in business. There is another consideration bearing on this subject, which is not to be overlooked. The interests of railroad companies have become so various and complicated, that they require all the attention and services of their employees to manage their affairs properly and satisfactorily to their customers; if they are suffered to engage in business of their own, they will very naturally, in their strife to advance their own interests, be blind to that of other patrons of their road. It would be well if a proper law were framed to prevent the continuance of such evils in the future.

Frequent complaint has been made to the committee, by merchants, on account of the difficulty in obtaining remuneration for damage done to goods in transit. This occurs when goods are shipped over different and connecting lines of railway. The owner of the goods is obliged to ascertain, in the first place, which company's misconduct or neglect has been the occasion of his loss; to accomplish this point it may become necessary for him to travel the whole distance over which his goods have passed; to prosecute this inquiry successfully, may cost him more than their value. If he persevere in the search and find the offender, he may be turned over for redress to an irresponsible agent, by whose carelessness the damage has occurred; then the alternative is presented to him, either to engage in the expense of a law suit, or, in common phrase, "pocket the loss." If he is a sensible man, and does not allow his passion to get the better of his judgment, he will choose the latter alternative as the least of two evils. Every effort should be made to facilitate the transportation of merchandize over railroads, and every reasonable measure calculated to afford a speedy rem-

edy for loss should be adopted. The system of management is yet in its infancy on all of them, by far the greater number having been completed within the last 25 years—each road being managed by a separate board of directors, and having, at times, interests supposed to be antagonistic to those of a connecting line. It has become extremely difficult to unite on any common ground of action. Time, and the experience of the managers of those corporations, who are confessedly among the best business men of the country, may eventually produce a greater degree of uniformity. On some roads an arrangement has already been made between several connecting lines, by which damages and losses on freight are promptly settled by the company delivering the goods. There would seem to be no reason why such an arrangement could not be made by all of them.

Several corporations, in addition to the usual franchise for building a railroad, have the right to hold lands and to mine and vend the product, as well as to lease coal lands and buy coal from others. Under this system, which prevails extensively in several localities, several millions of tons of coal were taken to market last year, being about one-third of the whole production of that article in the State. The amount of capital invested in these companies, to purchase their lands and make their improvements, probably exceeds fifty millions of dollars. To induce capitalists to embark in these enterprises, it was thought necessary to give them the power to hold land, and to engage in the business of mining, and that to have refused them might have prevented these improvements, which have largely added to the wealth of the Commonwealth. In the same localities there are also railroads and canals devoted exclusively to the business of common carriers, who transport for individual operators. Thus the two systems are operating in the same regions, and time will show which of them will produce the largest benefits to the greatest number of the people.

On reference to the evidence taken by the committee, it will appear that the charges on local freight furnish grounds of complaint, to a large extent. By local freight is meant that which is carried over part of a road, and by through freight that which passes over the whole length of a road. There is undoubted reason for dissatisfaction on account of the high charges upon local shipments. A heavy burden is thrown upon that class, in comparison with charges on through freights. The important question is presented, whether the burden cannot be more equally distributed, so as to secure equal justice to both classes, without violence to the corporate rights of corporations, or interfering with a reasonable profit to the stockholders. For, however ardent individuals may be to secure cheap freights, it is presumed that they would not desire to do so by a violation of vested rights, nor by depriving this species of investment of a fair remuneration. It becomes, then, an important inquiry to ascertain to what extent the Legisla-

ture may interfere to regulate the rates of freight. In this connection it is proper to remark, that we have not been able to examine and collate all the railroad charters granted previous to the general act on that subject, passed on the 13th day of February, 1849. To consider all these, with their numerous supplements and amendments, covering a period of twenty years, would occupy months of close application. So far, however, as the committee have been able to examine them, they find the directors clothed with the power of fixing a maximum rate of freight even higher than is now generally charged, and it is questionable whether this power can be taken from them without an infringement of their franchises. So long as they keep within the maximum, it is a question for the courts to decide whether the public can have redress, provided they do not transcend their chartered limits in other respects. A charter is a written contract between the people—through the Legislature—and a number of citizens, under which, in consideration of certain privileges, the latter invest their money. It is just as obligatory on both parties as a contract made between individuals, and the same law prevails for enforcing it. The provision in the general act alluded to, regulating the rates of tolls, is as follows :

“Upon the completion of any railroad authorized as aforesaid, the same shall be esteemed a public highway for the conveyance of passengers and the transportation of freight, subject to such rules and regulations, in relation to the same, as to the size and construction of wheels, cars and carriages, the weight of loads, and all other matters and things connected with the use of said railroad, as the president and directors may prescribe and direct: *Provided*, That the said company shall have the exclusive control of the motive power, and may from time to time establish, demand and receive such rates of toll, or other compensation, for the use of such road and of said motive power, and for the conveyance of passengers, the transportation of merchandize and commodities, and the cars or other vehicles conveying the same, or otherwise passing over or on the said railroad, as to the president and directors shall seem reasonable: *Provided however nevertheless*, That said rates of toll and motive power charges, so to be established, demanded or received, when the cars used for such conveyance or transportation are owned or furnished by others, shall not exceed two and one-half cents per mile for each passenger, three cents per mile for each ton of two thousand pounds of freight, three cents per mile for each passenger or baggage car, and two cents per mile for each burden or freight car, every four wheels being computed a car; and in the transportation of passengers, no charge shall be made to exceed three cents per mile for through passengers, and three and a half cents per mile for way passengers.”

This section gives all companies chartered under it, where they provide the motive power and cars, the power to charge such tolls on freight as their

directors may deem reasonable, within the limits contained in the proviso. The question as to what is a reasonable toll on any given road, admits of wide latitude. The interpretation of that word would seem to leave the establishment of freights with the president and directors, subject, however, to the law of common carriers as to the equalization of freights, and subject to the limitation in the act. The law may give, of course, the right to interfere whenever a system of freights is so established as to result in a discrimination among shippers. They may insist that every shipper shall receive for the amount he pays an equal return in service. It is difficult to reconcile this principle, so obviously correct, with the preference in charges given to freight carried outside of the limits of the State, over that which is carried inside of the State, for our own citizens. It is admitted that this preference exists, and it is contended that it operates ultimately to the benefit of the local shipper. All the through freight going east and west—using that term in its enlarged meaning—is carried over four main or trunk lines, which, with their connections, unite the cities of the Atlantic sea-board with the principal cities in the west. The eastern sections of these lines are the Erie and Central railroads of the State of New York, the Pennsylvania railroad, and the Baltimore and Ohio railroad. Between these lines there is an active competition to secure the traffic passing east and west. The amount of the trade is so immense as to be a prize worth contending for. Each trunk line arranges a tariff of rates for itself, which continues sometimes for several days, and sometimes for as many hours. Occasionally all these lines agree on a given toll-sheet, which it is said they continue until either one finds it advantageous “to cut under,” as it is termed. The gross amount realized on a through shipment is divided, *pro rata*, among all the connecting roads of the through line, according to the number of miles of each. For instance, a barrel of flour is shipped from Chicago to Philadelphia, over the Pittsburg, Fort Wayne and Chicago railroad, and the Pennsylvania railroad, for one dollar. Of this sum the latter road receives forty-four cents as its *pro rata* share for carrying the flour from Pittsburg to Philadelphia. A Pittsburg miller shipping a barrel of flour from Pittsburg to Philadelphia, over the same road, at the same time, is charged sixty cents, making a difference of sixteen cents against the Pittsburg miller, which a witness testifies is a sufficient profit for shipping flour to Philadelphia. On all this through trade that is shipped over the Pennsylvania railroad a like preference is given on through freights. Home shippers argue that this is a Pennsylvania road, built by home enterprise and capital, and complain that non-residents are served on better terms than they are. The managers of the road reply that they are doing the best they can—that they carry flour and other products for citizens of the State as cheap as they can afford, and if they are prohibited from competing for this through trade, and carrying it

even at a lower rate than they carry local freights, a large source of their income will be cut off, and they will be forced to supply a consequent deficiency in their revenue by charging at least seventy-five cents where they now charge sixty cents. This is an impartial statement of the case in brief, and may afford an exhibit of the controversy. In the evidence it is developed at length. The committee are not prepared to recommend the passage of an act which might result in driving the whole of this through trade out of the State to rival lines, and perhaps ultimately in increasing the charges on local freights. If an inter-State arrangement could be made, which would limit the trunk lines to a uniformity of rate, the discriminations between through freight and local freight would be obviated. The difference in the freight charged on local and through traffic, within the limits of the State, is very great, and, to persons unacquainted with railroad management, would seem excessive and unjust. The Senate is referred to the testimony for reasons given in defence of the present system of rates on local freights, and the opposing views of practical business men who are shippers. The executive officers of the leading roads have given evidence at considerable length, and their views should receive all the consideration to which their position and consequent practical knowledge entitle them.

It is evident that local freights cannot be carried as cheaply per mile as those for long distances, because the expense of loading and unloading, manifesting and shipping, and detention of cars, is as great in the former as in the latter, constituting a permanent and fixed expense. When these expenses, incident to both kinds of freight, are ascertained between given points, and the cost per mile of moving freight ascertained, it would seem that there could not be any serious difficulty in fixing the proper amount of charges on the freight to be carried between those points. This, however, is further to be qualified by difference in grade, cost of construction, and amount of tonnage. Through freights are more sought after by railroad companies than local; they come in full car loads, and require less attention and labor from the employees. The latter come in small quantities and are scattered along the road, and their character and importance is often overlooked. Local freights produce a considerable proportion of the income of our railroad companies, and it is of importance to develop the mineral, manufacturing and other internal resources, and thus increase the wealth of the State. Every consideration, therefore, calls for a system which would be fair and just to the local shipper. The committee cannot aid in deciding on the exact relative proportion of expense that local and through freights should bear to each other, for they have no certain data that would enable them to do so. This would depend upon a variety of circumstances, differing in extent and character on almost every road. They can only urge the adoption of some plan of adjustment which would be calculated

to produce equal and exact justice to all. In the earlier days of railroads it was quite natural that the actual cost of transportation on them should have been imperfectly understood. When they were first introduced, turnpikes and canals furnished the only means of carrying freights and passengers. On these the shipper furnished his own conveyance in the shape of a canal boat or Conestoga wagon. The toll-sheet that had been established in these modes of transportation, in the absence of any other, became a precedent for the Legislature in regulating tolls in granting charters for railroads. The design was no doubt to protect the public from excessive rates; but the minimum was generally so excessive as to result in prohibition if exacted to the full amount authorized. On this account freights on railroads were unsettled, and it was not until after many trials that toll-sheets could be made which would approximate justice to both shipper and stockholder.—The managers of companies, however, now have the benefit of experience, and there appears to be no reason why they should not establish an equitable system of rates. The leading features of such a system should be permanency, publicity, and equality in charges to shippers for the same amount and class of freight, between the same points. The arguments for such a policy are obvious. Parties having to purchase or sell articles requiring transportation, cannot do business satisfactorily without first knowing the charges of the transporter. It is true they may ascertain from the agents the terms of to-day, but if they are constantly fluctuating, to-morrow they may be changed, and whether to their advantage or loss they cannot tell.

Again, if the rates of freight exist only in the discretion of the officers of the road, one competitor may obtain better terms, and thus outstrip another in the race for successful business. Thus, doubt and uncertainty and distrust naturally result. Occasional changes of rate may be necessary, owing to competition existing between the trunk lines, but the true policy requires that they be as infrequent as possible. Such a system would give business transactions in Pennsylvania a degree of permanence and stability, and furnish an example worthy to be imitated by railroads in adjoining States.

In the testimony will be found considerable evidence relating to what are technically termed fast freight lines. These corporations are of recent origin, and have grown rapidly, owing to the extended character of their business. The testimony on this subject, taken by this committee, together with that taken by the committee appointed by the House at the last session, it is hoped, will suffice to enable the Legislature to decide as to the necessity of any legislation in regard to them. It is not deemed a part of our duty to express our views on their effect on the interests of stockholders. The railroad companies, who are the parties affected, should be able to take care of their own interests. It is our duty only to consider the interests of the

shipping public. If these corporations aid them, they should be sustained; if not, the sooner they are dispensed with the better. There are two classes of these organizations, one of which is formed by connecting lines of railroad, each railroad furnishing its quota of cars and motive power, and the employees of each road doing their own share of the labor; and the income is divided between all the roads interested, in proportion to the number of miles the freight is carried. If loss or damage occur, settlements are made at the place of delivery. For a copy of the agreement under which a line of this kind is formed, and a full description of its operation, the Senate is referred to the testimony of the vice president of the Atlantic and Great Western railway. The other class, which is far more numerous than the first, furnish their own cars, agents and employees necessary for handling freight, and make arrangements with connecting railroads for moving their tonnage at a stipulated price per ton or car load. Of this kind is the Union line, which runs on the Pennsylvania railroad and its connections, and the Empire line, running on the Philadelphia and Erie road and its connections. For the practical operation of these lines, reference is made to the evidence taken on this subject. There is no doubt but the complete organization which these companies have made with connecting lines facilitates the transportation of through freight, and their plan of speedily arranging losses and damages is of service to the public. The capital, also, which they bring into the business, to the aid of those lines either unable or unwilling to furnish their share of the cars and other expenses pertaining to the through business, is an important consideration. This addition of capital and labor enables the railroad companies to devote all their energies to the forwarding of local freight. Like the other class, they obviate the necessity of re-shipment of goods passing from one line to another, thus saving labor and promoting dispatch. It is said, also, that these organizations bring a large amount of through traffic over the railroads of the State, which, without their influence, would be carried upon competing roads beyond our borders. These advantages are set forth fully in the testimony herewith and that before referred to. Experience will demonstrate their truth or falsity. In the management of these transportation companies great care should be taken that the officers of the railroads over which these lines operate should be held responsible for the regulations of their tariff of rates. It is their duty to establish such rates as will protect the local as well as the through shipper from extortionate charges, and secure equal justice to both. Therefore, toll-sheets of all corporations or individuals transporting freight for others, over any railroad in the State, should be established by the directors of the several railroads over which such corporation or individuals may contract to ship such freight, thereby guarding the rights of the public.

Your committee, in closing their report, regret that the magnitude of the subject, and the want of time, prevented them from giving the testimony, and the principles involved, that close and thorough analysis which they require, and that their inexperience in the practical management of railroads has rendered them incapable of taking more than a superficial view of the subject matter intrusted to their examination. Much of the evidence here taken is *ex parte*, and if parties affected had attended before the committee with rebutting testimony, explanations might possibly have been given, in the absence of which they may appear in default. It was the desire of the committee to hear everything legitimately bearing upon the subject of their inquiry, believing the field of investigation to be one of the most interesting and important that could be brought before the Senate, or the people of this Commonwealth.

L. D. SHOEMAKER, *Chairman.*

T. J. BIGHAM,

D. M'CONAUGHY,

GEORGE B. SCHALL.